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(Item #7)

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No. 7. The General Principle of the Policy Concerning Construction of the KIRIN-TUNGHUA Railway Extension Line. (Cabinet Decision, May 3, 1932)

And Concurrently, the Policy in Management of the TIEN-TU Railway.

1. Route Lines.

Route lines to be adopted shall run from TUNGHUA via CHU-TZU-KIA to NANYANG in KOREA; and another shall branch off at CHIAO-YANG-CHUN passing through LUNG-CHI-TSUEN and ending at SHAN-SAN-PHON in KOREA.

2. Management and the Construction Plan of the TIEN-TU Railway

In order to construct the aforementioned lines, the present TIEN-TU Railway shall be purchased by the State of MANCHUKUO at a fair price, and the funds needed for this purpose shall be credited by the South Manchurian Railway Co. Moreover, the liabilities of this railway against the Savings Department of the Finance Ministry, TOTAKU (The Oriental Development Co.) and others, shall be borne by the South Manchurian Co. Purchase expenses shall be dealt as a loan made to the State of MANCHUKUO by the South Manchurian Railway Co.

The reconstruction of the TIEN-TU Railway and the new line construction project are to be undertaken by the South Manchurian Railway Co. Reconstruction and construction expenses shall be treated as a loan made to the State of MANCHUKUO by the South Manchurian Railway Co.

3. Period of Construction.

Setting of both lines shall commence during the fiscal year of 1932 and is expected to complete within the fiscal year of 1933.

4. Form of Management.

The management of both lines shall be entrusted to South Manchurian Railway Co. by the State of MANCHUKUO.

5. Construction of Termini Facilities.

Concerning termini facilities, the CHEN-CHING and the SHUEN-KEE ports are to be availed for the time being, but in view of the loading and unloading capacities of both ports, it is necessary to build another terminus facility in RASHIN

(LO-CHING), there enabling it to be a chief port. For this purpose, the South Manchurian Railway Co. shall complete all investigations and planning within this year and have the work completed within the five years after the fiscal year of 1933. It is expected that the project will make speedy progress. (The railway line between CHEN-CHING and RASHIN, which is in relation to the termini facilities should be completed within two and one half years beginning with the fiscal year of 1933).

6. Management of Termini Facilities and Connecting Lines.

The South Manchurian Railway Co. shall manage the connecting lines in KOREA (TOL-NEN Line, CHEN-WEI Line and the SHENNAEE-RASHIN Line), and its termini facilities.

Furthermore, in regard to the details of management on the above mentioned (2) TIEN-TU Railway, a meeting was held between the representatives of the War Ministry, Overseas Affairs Ministry, Finance Ministry, Foreign Affairs Ministry, Korean Railway Bureau, South Manchurian Railway Co. and the TOTAKU (Oriental Development Co.) on April 12, 1932 at the Overseas Affairs Ministry. Thereafter, further negotiations were carried between the parties concerned and it has been decided, in general, on the following:

Re. Disposition of the TIEN-TU Railway and the LAU-TOL-KUL Colliery in accompany with the Construction of the TUNG-TU Railway.

1. The TIEN-TU Railway and the LAU-TOL-KUL Colliery shall be treated en bloc at this moment.
2. The TIEN-TU Railway shall be ceded to the State of MANCHUKUO.
3. The LAU-TOL-KUL Colliery shall be a JAPAN-MANCHUKUO joint enterprise and the Japanese representative shall be the South Manchurian Railway Co. and, however, we have no objection for the South Manchurian Railway Co. to manage it individually as the result of their negotiation with MANCHUKUO.
4. The amount from sale of the TIEN-TU Railway and the LAU-TOL-KUL Colliery together with the credit amount in relation to this shall be decided, as a rule, on the basis outstanding as of December 1931.

(1) TIEN-TU Railway.

1. The purchasing price of the TIEN-TU Railway deemed recognizable by MANCHUKUO is to be set at ¥ 7,795,774.00.

2. The liability amount ¥ 11,230,381.00 of the TIENTSIN-TU Railway shall be assessed at ¥ 8,311,813.00, and that it shall be succeeded by the South Manchurian Railway Co.

3. As regards ¥ 4,723,970.00, invested funds of the Savings Department of the Finance Ministry, the full amount is to be paid back immediately after the elapse of ten years time, and the interest during this period shall be set at 4.2 per cent per annum. (Hereafter, the South Manchurian Railway Co. shall succeed to this fund and the liabilities which the TOTAKU (Oriental Development Co.) is due to the Savings Department of the Finance Ministry and that without passing through the TOTAKU.)

4. The credit amount ¥ 3,319,148.00 shall be assessed at ¥ 1,780,138.00 and that the full amount shall be paid immediately after the elapse of ten years time. The interest during this period shall be set at 4.2 per cent per annum.

5. The investment amount ¥ 3,187,263.00 of the South Manchuria TAIKO GOMEI KAISHA shall be assessed at ¥ 1,807,705.00 and that the full amount shall be paid immediately after the elapse of ten years time. The interest during this period shall be set at 5.5 per cent per annum. (Besides the said credit, the aforementioned company is authorized to receive a total amount of ¥ 365,600.00 in bank deposits, credits in temporary payments and accounts receivable, storage articles, estates and buildings, etc.)

The South Manchurian Railway Co. shall pay to the South Manchuria TAIKO GOMEI KAISHA the sum of ¥ 750,000.00 as dissolution fund, etc., and the term of payment and the rate of interest shall be in accordance to the above article.

6. The CHOSEN GOVERNMENT-GENERAL office shall give opportune consideration in the solution of this current issue at the time of concluding the contract in regard to the deputation in management of railways and harbour facilities north of SEISHIN (CHEI-CHING) in view of the burden incurred by the South Manchurian Railway Co.

(II) LAU-TOL-NUL Colliery.

1. The purchasing price deemed recognizable by JAPAN-MANCHURIAN joint undertakings is to be set at ¥ 328,059.00.

2. The liability amount ¥ 717,367.00 of the Colliery shall be assessed at ¥ 647,024.00 and that it shall be succeeded by the South Manchurian Railway Co.

3. As regards ¥ 500,030.00, invested funds of the Savings Department of the Finance Ministry, the full amount is to be paid back immediately after the elapse of ten years time, and the interest during this period shall be set at 4.2 per cent per annum. (Hereafter, the South Manchurian Railway Co. shall succeed to this fund and the liabilities which the TOTAKU (Oriental Development Co.) is due to the Savings Department of the Finance Ministry and that without passing through the TOTAKU.)

4. The credit amount ¥ 211,337.00 shall be assessed at ¥ 140,994.00 and that the full amount shall be paid immediately after the elapse of ten years time. The interest during this period shall be set at 4.2 per cent per annum.